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SUBJECT: UNGA'S LATEST FINANCIAL CRISIS PANEL MORE BALANCED

REF: USUN 1006 ("PANEL ON FINANCIAL CRISIS CRITICIZES
U.S.")

¶11. (SBU) Summary: The UN General Assembly (UNGA) Second Committee held a panel discussion to examine the causes and impact of the global financial crisis on November 11. In contrast to the President of the General Assembly's (PGA) October 30 panel on the crisis (reftel), this latest discussion was a more balanced dialogue with greater focus on seeking solutions than casting blame. Unlike the PGA's event, there was a noticeable absence of criticism of the upcoming G-20 Summit, which speakers described as a welcome opportunity. Two panelists from the United States outlined policies the incoming U.S. Administration should adopt to preclude further economic and energy insecurity. End Summary.

¶12. (U) The UNGA Second Committee (Economic and Finance) convened a panel on "Overcoming Economic Insecurity," moderated by Assistant Secretary General for Economic Development Mr. Jomo Kwame Sundaram. Panelists were Mr. Yaga Reddy, former Governor of the Reserve Bank of India; Mr. Robert Kuttner, Co-Founder and Co-Editor of The American Prospect magazine; and Mr. Michael Klare, Five College Professor of Peace and World Security Studies and Defense Correspondent of The Nation magazine.

NOVEMBER 15 G-20 SUMMIT

¶13. (U) During the panel discussion, France (on behalf of the EU) noted that it is looking to the G-20 Summit as the start of a longer-term process to instill economic stability and an opportunity to establish global priorities in addressing the financial crisis. France reported the EU intends to submit a plan for reform of the international financial system at the Summit. In his closing remarks, Reddy countered critics who believe the G-20 is "too exclusive" a forum to address the crisis, saying that the global community should allow for a diversity of cooperation and responses, and not rely solely on any single body. He cited the recent "less than multilateral" response by G-7 leaders as a welcome development.

SHIFT IN ECONOMIC IDEOLOGY

¶14. (U) Saying the recent financial crash also marks the crash of the reigning laissez-faire economic ideology of the past thirty years, Kuttner said that a more managed economic approach is needed to balance private capital with social needs. He pointed to the education, health, technology and infrastructure sectors as evidence that unregulated markets do not bring about decent distribution of wealth, and offered instead the U.S. "mixed economy" model following the financial fallout of the 1930s as an example for

policymakers. Reddy stressed the importance of independent regulators with appropriate public accountability as a key element of any response to emerge from the current crisis.

PRIORITIES FOR THE NEW ADMINISTRATION

15. (U) Financial bubbles and layering of inter-locking debt have disguised stagnating incomes and increasing inequality in the United States over the past 15 years, Kuttner asserted, with the result that serious risks were transferred from society to individuals. With the bursting of this latest bubble, and the contagion it has spread, the United States must act quickly to prevent the current downturn from becoming another depression. Kuttner cautioned that this could eclipse in magnitude the 1929 depression due to greater leveraging in today's economy and a faster spread from financial markets to the real economy. In order to prevent this, Kuttner suggested the next U.S. Administration must act quickly to re-finance mortgages; "properly" re-capitalize banks; and increase "responsible" public expenditures to replace lower consumer demand. It is time to rethink the assumptions of the last thirty years that "markets can do no wrong, and governments can do no right," Kuttner concluded.

ENERGY SECURITY: A FIFTY YEAR CHALLENGE

16. (U) Professor Klare urged delegates not to overlook the element of energy security when addressing the current financial crisis. He warned that the November 12 release of the International Energy Agency's World Energy Outlook for 2008 would announce that the rate of decline of the top 400

existing resource fields is more than twice as high (9.1 percent per year) as previous estimates. The current drop in fuel prices is only temporary, he maintained, and prices will once again rise after the slowdown. The quest for sustainable energy production is, at minimum, a fifty-year challenge. Klare called on the new U.S. Administration to urgently increase investment in renewable energy to forestall future energy and climate crises.

COMMENT

17. (SBU) Although critical of advanced economies' adherence to the prevailing ideology of deregulation over the past 30 years, Kuttner stopped far short of the anti-U.S. rhetoric used by panelists during PGA Miguel d'Escoto Brockmann's October 30 financial crisis panel (reftel). In fact, he spent much of his presentation offering suggested remedies. The other two panelists likewise focused primarily on offering constructive advice rather than casting blame. Their balanced tone in turn laid the foundation for a more positive, forward-looking discussion among Delegates than occurred at the PGA's event. Criticisms of the "exclusive" nature of the November 15 G-20 Summit in Washington, for example, were conspicuously absent.

Khalilzad